

Memorandum

To: Panel Members Date: January 23, 2003

From: Diana Torres, Manager
Peter DeMauro, General Counsel Analyst: J. Davey

Subject: One-Step Agreement for **Nor-Cal Beverage Company, Inc.**
www.ncbev.com

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 400
 - In California: 400
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: NA

CONTRACT:

- Program Costs: \$204,464
- Substantial Contribution: \$0
- Total ETP Funding: \$204,464
- In-Kind Contribution: \$278,049
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange
- Duration of Agreement: 24 months

SUBCONTRACTORS:

- California Training Cooperative, Irvine, California - \$276,160 for training.
- California Training Cooperative, Irvine, California - \$24,536 for project administration.

THIRD PARTY SERVICES:

California Training Cooperative assisted with the Application, and helped prepare the Training Plan, Curriculum, Retraining Certification, and other agreement requirements. The amount reimbursed for these services are: membership fee of \$1,800, monthly fee of \$3,500.

NARRATIVE:

Nor-Cal Beverage Co., Inc. is eligible for ETP funding under Title 22, California Code of Regulations, Section 4416(b) for industrially classified manufacturers.

Nor-Cal Beverage Co., Inc. is an independent bottler and distributor of Minute Maid Juices, Powerade, and other Coca-Cola products as well as private-label, flavored soft drinks for Albertsons, Walgreens, IGA, and KMart. Founded in 1937, Nor-Cal employs 400 Californians and is headquartered in West Sacramento. The company has production facilities in West Sacramento and Anaheim and has distribution facilities in six locations throughout California. Products are sold and distributed throughout California, Arizona, New Mexico, and Asia. This proposed training program involves only the Anaheim location, which was purchased by Nor-Cal three years ago.

Nor-Cal's customers, mainly divisions of the Coca-Cola Company, continue to contract with the company for bottling services because it is able to offer competitive pricing and service. Nor-Cal competes with several other bottling facilities for this business, such as Tropicana and Nestle, as well as Minute Maid plants in Texas and Coca-Cola facilities in Washington State.

Nor-Cal states that one of its major concerns is its limited bottling capacity. It is often unable to enter into bottling contracts with companies such as Campbell's Soup because it does not have the capacity to properly take on the projects available. One solution is to expand its facilities and/or workforce. However, this would involve increased expenditures, which the company states it cannot afford. Instead, Nor-Cal chooses to increase its capacity by increasing the efficiency of its workforce and the speed of its processes for filling containers, cleaning machines between flavors, and performing routine maintenance and repair. It has determined that in order to increase capacity, employees from throughout the company must be retrained in the skills to improve processes, solve problems, and improve decision-making. Therefore, Nor-Cal requests ETP funds to train 189 of its employees as follows:

Continuous Improvement Skills: Managers, Supervisors, Blenders, Operators, Inspectors, Handlers, Administrative Staff, Purchasing and the remaining occupations will receive training in the Continuous Improvement Skills to increase the problem solving ability, decision-making, and teamwork throughout the Anaheim facility. Nor-Cal expects that these skills will allow trainees to operate more efficiently and productively to reduce the time between product changeovers. The goal of the training will be to increase capacity so that Nor-Cal can take on projects that it was unable to handle before.

In addition, Supervisors will receive additional coaching and communication skills to allow them to assist production staff in problem solving and decision-making in a team environment. It is expected that line

NARRATIVE: (continued)

supervisors will learn to lead cohesive work groups, while operators will learn team skills and standardized operating procedures for maintaining a high performance workplace. Nor-Cal plans to develop a more flexible workforce. Nor-Cal states that giving its line supervisors the coaching, communication, and leadership skills to assist production line workers is essential to a successful transition to a high performance workplace.

Manufacturing Skills: Production Staff, including Warehouse Workers, Clerks, Operator, Blenders, Maintenance Mechanics, and others will receive training in standardizing work processes and adding flexibility in the workforce. Nor-Cal has recently completed the process for standardizing all production operations and job functions. Production staff now needs to be trained in the areas of their job responsibilities based on the new standardized procedures. Training will include Cross-Training, Operator Certification, and Train-the-Trainer Skills. Supervisory trainees will learn Train-the-Trainer skills to assist production line staff in cross-training and standardized work processes. Maintenance Mechanics will receive training in new equipment Electronic Systems and Troubleshooting to improve their skills in repairing equipment failures. Nor-Cal has determined that this training will allow employees to work on a variety of projects, according to customer demand.

Management Skills: Nor-Cal states that its management personnel are skillful in the technical skills required in the industry. However, leaders and the departments they supervise are often disconnected from other leaders and departments, rather than coordinating their efforts toward unified company objectives. Through Management Skills training, Nor-Cal will help managers and supervisors align themselves and their departments with company-wide initiatives. The company expects to establish procedures for effectively deploying Nor-Cal initiatives throughout the company and maintaining alignment and accountability for these initiatives.

By transforming Nor-Cal into a high performance workplace, the company expects to remain competitive in its industry and benefit the careers of its employees. All training will take place at the Anaheim location or at nearby off-site locations yet to be determined.

Supplemental Nature of Training

Recent training practices

Nor-Cal Beverage states that it has and will continue to fund and support a great deal of training for its workforce. In the past, training has been unstructured and employee/job specific. Training offered in the past at Nor-Cal includes topics such as sexual harassment prevention, employee supervision, required State and Federal safety training, new hire employee orientation, and training on company products.

How the training supplements existing training practices

The training in this proposal supplements the unstructured training currently offered to employees by allowing Nor-Cal to conduct a formalized training program that could not be delivered otherwise. Most of the training offered in the past has been focused on getting individuals trained to do their specific jobs, not toward training the workforce as a whole to help move the company toward a high performance workplace.

NARRATIVE: (continued)

Nor-Cal has previously focused on the acquisition and refinement of the function-specific skills of its workforce. Now the company must focus on leading a more sophisticated workforce. The proposed higher level of training is expected to help the company to become more efficient and more effective in its work processes, shorten production times and lower costs. Nor-Cal expects to be more competitive and more attractive to future employees. This ETP-funded program will strengthen Nor-Cal's competitive edge by keeping it current with the newest technologies and standards and elevating the skills of its employees.

In-Kind Contribution

In-kind contribution and/or other applicant paid training-related expenses:

-Training for one non-funded employee, training development: \$18,430

-Estimated wages of employees paid during training: \$259,619

Total training and training-related costs not covered by ETP funds: \$278,049

COMMENTS:

All participants in this project meet the Panel definition of frontline workers under Title 22, California Code of Regulations, Section 4400(ee)(1,3).

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funding is available and the project meets Panel priorities. This recommendation is based on Nor-Cal Beverage Company's stated need to provide its workers with the skills to remain competitive, to increase overall capacity, and to remain viable in the California economy.

TRAINING PLAN:

Grp/ Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Numbers 1 – 6 Retrainee	Management Skills Continuous Improvement Manufacturing Skills	189	56 – 124	0	0	\$728 - \$1,612	*\$ 9.91 - \$36.98
					<u>Range of Hourly Wages</u> *\$ 9.91 - \$36.98		
					<u>Prevalent Hourly Wage</u> \$16.49		
					<u>Average Cost per Trainee</u> \$1,081		
<u>Health Benefit used to meet ETP minimum wage:</u> *Health benefits of \$1.83 per hour will be applied to the base wage in order to satisfy the ETP minimum wage of \$11.74 for Orange County.					<u>Turnover Rate</u> 6%	<u>% of Mgrs & Supervisors to be trained:</u> 11%	

Class/Lab Hours	Management Skills (Job Number 1 trainees only)
Job 1 = 124	<u>Leadership Skills</u>
Job 2 = 88	<ul style="list-style-type: none"> • Strategic Planning • Performance Management
Job 3 = 112	<ul style="list-style-type: none"> • Change Management
Job 4 = 64	<ul style="list-style-type: none"> • Communication/Problem Solving
Job 5 = 96	<ul style="list-style-type: none"> • Alignment • Lean Manufacturing
Job 6 = 56	<ul style="list-style-type: none"> • Conflict Resolution Skills

Continuous Improvement Skills

Supervisory Skills (Job Number 2 trainees only)

- Process Owner Skills
- Project Management/Scheduling
- Building a High Performance Work Group
- Characteristics of an Effective Leader
- Coaching and Motivating for Improved Performance
- Communicating and Listening Skills Workshop
- Conflict Resolution
- Delegation Techniques and Strategies for Productivity and Growth
- Deploying Strategy throughout the Organization
- Developing a High Performance Workplace
- Developing Measurement Systems
- Effective Meetings
- Facilitating Change and Improvement Performance
- Gaining and Building Commitment
- Goal Setting
- Helping Others Adapt to Change

Class/Lab Hours	Continuous Improvement Skills (continued)
Job 1 = 124	<u>Nor-Cal Production System</u>
	<ul style="list-style-type: none"> • Team Building – Trust & Communication

Job 2 = 88	<ul style="list-style-type: none"> • Cell Management
Job 3 = 112	<ul style="list-style-type: none"> • Train the Trainer
Job 4 = 64	<ul style="list-style-type: none"> • Leading Continuous Improvement Process/Process Ownership
Job 5 = 96	<ul style="list-style-type: none"> • Visual Controls
Job 6 = 56	<ul style="list-style-type: none"> • Statistical Process Control • Managing Statistical Process Control • Lean Manufacturing, 5S Improvements • Team Roles • Process Mapping • Analyzing Processes • Data Gathering • Continuous Improvement Tools • Application to a Selected Process • Implementation of Assigned Projects • Report Accomplishments

Rapid Learning Events

- Workplace Organization (5S)
 - Principles of Lean Manufacturing (simulation)
 - Analyze Process through Walk Throughs
 - Steps of Continuous Flow
 - Vision of Area and Flow
 - Application to a Selected Process
 - Apply 5S, Reliable Methods, Measurement
 - Implementation of Assigned Projects
 - Communication with Others
 - Process Checks
 - Report Accomplishments
 - Total Productive Maintenance
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Class/Lab Hours	Manufacturing Skills
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Job 1 = 124	<u>Job Skills</u>
Job 2 = 88	<ul style="list-style-type: none"> • Operator Standard Procedures
Job 3 = 112	<ul style="list-style-type: none"> • Multi-Station Operator Skills • Train-the-Trainer

Job 4 = 64

Job 5 = 96

Job 6 = 56

Job Skills (Maintenance)

- Electronic Systems
- Troubleshooting